

MARIO VARGAS LLOSA AND THE AUSTRIAN SCHOOL OF ECONOMICS

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Fecha de recepción: 23 de octubre de 2025

Fecha de aceptación: 14 de abril de 2026

1. Introduction

Mario Vargas Llosa's entry into Peruvian politics in the late 1980s constitutes a paradigmatic example of the intersection between thought and action in Latin America. Following a distinguished career as a novelist and essayist, his foray into the political arena was driven by the radicalization of statism under the administration of Alan García (1985-1990), whose turning point was the controversial bank nationalization project of 1987. In response to this perceived threat to economic freedoms, the Movimiento Libertad emerged as an initiative aimed at promoting the principles of classical liberalism and offering an alternative program amid the crisis of the interventionist model and the vacuum of political representation.

This study addresses three interrelated dimensions. First, it examines Vargas Llosa's intellectual conversion to liberalism, marked by the decisive influence of Friedrich Hayek. Second, it analyzes the historical context that explains the emergence of the Movimiento Libertad as a response to the decline of the statist paradigm. Finally, it offers an analysis of *25 Lecturas sobre la libertad* (1989), a key anthology in the doctrinal dissemination of the movement, highlighting the influence of the Austrian School. It is argued that, despite its electoral defeat, this effort laid the foundations for the market-oriented reforms that would transform the Peruvian economy in the following decade.

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Methodologically, this article adopts a historical-analytical approach based on a critical review of primary sources—such as essays, interviews, speeches, and doctrinal compilations—and secondary sources, including studies on the intellectual and political evolution of Mario Vargas Llosa. The objective is to reconstruct the author's ideological trajectory from socialism to liberalism, as well as to contextualize the emergence of the *Movimiento Libertad* and the publication of *25 Lecturas sobre la libertad* (1989) within the broader process of economic and cultural transformation in Peru at the end of the twentieth century.

2. Intellectual evolution toward liberalism

During the administration of Manuel Odría (1948- 1956), while studying at the National University of San Marcos (Lima), Mario Vargas Llosa was an active member of the clandestine communist group known as Cahuide. Like other young revolutionaries, he participated in the distribution of propaganda, attended clandestine meetings, and promoted the revolutionary cause, which they then conceived as a redemptive process (Sabino, 2015, p. 90).

This initial ideological episode not only attests to Vargas Llosa's youthful adherence to the redemptive imagery of Latin American Marxism but can also be interpreted as a stage of political socialization within the culture of intellectual commitment that characterized university generations in the mid-twentieth century. As Raymond Aron (1957) observes, postwar intellectuals tended to conceive of political action as a moral extension of literary creation, a phenomenon that, in Latin America, took the form of the «militant writer». In this context, Vargas Llosa's experience in Cahuide marked his early appropriation of a moralistic ethos with revolutionary roots, from which he would later distance himself to redefine freedom as a moral value rather than an ideological program.

After leaving the group, Vargas Llosa moved toward Christian Democratic positions and, during the 1960s, adopted the thought of Jean-Paul Sartre as his principal intellectual framework. During this period, he fervently supported the Cuban Revolution, a position he maintained until the Padilla affair—an episode that marked

his critical distancing from Castro's project (Arreola, 2020, p. 86). Prior to this incident, he had the opportunity to visit Moscow in 1968, invited by the Soviet Union to present the translation of *The Time of the Hero*. Upon arriving in what he considered the pinnacle of socialist civilization, he was deeply disillusioned to witness the harsh censorship that prevailed in the former superpower, as well as the invasion of Czechoslovakia that same year. These events marked the beginning of his doubts regarding his previously idealized image of the USSR (Buynova & Aguirre, 2024).

Vargas Llosa's distancing from socialist ideas can be understood as a process of «progressive disenchantment with commitment», in the sense proposed by Boisard (2019), who describes the writer's evolution from sartreanism to a liberal humanism influenced by Albert Camus and Karl Popper. This transformation entailed a shift from an ethic of collective redemption to one of individual responsibility. His engagement with camusian existentialism centered on moral conscience in opposition to dogma and Popper's critical rationalism (1963), which denied the possibility of ultimate truths and emphasized the conjectural nature of knowledge, consolidated in Vargas Llosa a lasting distrust of any form of thought that seeks to present itself as absolute truth.

This distance did not, however, entail an immediate abandonment of leftist struggles. As Boisard (2019) notes, his break with youthful sartreanism was consolidated through a critical rereading of Albert Camus, initiating a process of intellectual self-criticism that would culminate in the 1980s with his enthusiastic defense of the liberal-conservative policies of Thatcher and Reagan (p. 56). The transition between these two stages reflects an evolution that was more philosophical than partisan, a shift from utopian faith to a skeptical view of power and history.

Vargas Llosa himself (1992) acknowledged the decisive influence of three thinkers on his political evolution. In his own words, it was during the 1970s and 1980s, as he overcame the illusions of socialism, that he discovered in Karl Popper, Friedrich Hayek, and Isaiah Berlin the intellectual tools to reconcile freedom and equality, seemingly contradictory values within a democratic system. This theoretical triad became the foundation of his modern liberal vision: Popper provided an anti-dogmatic epistemology, Berlin a

philosophy of pluralism, and Hayek an economic and legal framework for the defense of individual freedom.

Cole (2016) emphasizes how reading Berlin and Popper while writing *The War of the End of the World* (1981) furnished Vargas Llosa with arguments against his former socialist convictions. He particularly valued Berlin's skepticism toward final answers, that Western tendency to seek unique, definitive truths, which Berlin regarded as a source of historical tragedies. From the Latvian thinker, he adopted the defense of ideological pluralism as an antidote to dogmatism (p. 136). Likewise, Vargas Llosa (2000) acknowledged the key role of Henry Hardy and Michael Ignatieff in preserving and disseminating Berlin's legacy, without whose work it would have remained «a ghost without flesh and bones» (p. 6).

He also assimilated Popper's principle of falsifiability and the notion of provisional knowledge, which he interpreted as the philosophical foundation of democratic tolerance. For Vargas Llosa, this epistemological perspective demonstrated that only through dialogue and the confrontation of ideas can one distinguish between error and truth (Vargas Llosa, "Karl Popper al día". *Vuelta*(184), 24-33, 1992, p. 25). In this way, Berlinian skepticism and Popperian critical rationalism became antidotes to dogmatism and fanaticism, phenomena that Vargas Llosa identified as the principal threats to individual freedom, and which recur throughout his literary and essayistic work (Cole, 2016, p. 138).

Taken together, this intellectual trajectory reveals an epistemological rather than merely ideological conversion, a long «road to Damascus» that led Vargas Llosa from militant socialism to democratic liberalism. This transition was not simply a political shift, but rather the affirmation of a critical stance toward power. For Vargas Llosa, liberty ceased to be a partisan slogan and became a civilizational principle grounded in pluralism, skepticism, and tolerance.

3. The influence of Friedrich Hayek and the Austrian School

Unlike other intellectuals who abandoned collectivism, Vargas Llosa deepened his critique from a political economy perspective,

drawing heavily on the work of Friedrich A. Hayek, whom he regarded as one of the most lucid thinkers of the twentieth century. Following the Austrian economist's death in 1992, Vargas Llosa described him as a «universal citizen» whose historical merit lay in having foreseen, and later witnessed, the failure of statist projects (Vargas Llosa, «Karl Popper al día». *Vuelta*(184), 24-33, 1992).

In *The Call of the Tribe* (2018), Vargas Llosa devotes a substantial section to Hayek, structured into five parts. After a biographical and intellectual overview, the first section examines Hayek's controversy with John Maynard Keynes, portraying it as an unequal confrontation between a marginal thinker and the dominant intellectual consensus. Vargas Llosa highlights particularly the 1931 debate, when Hayek criticized Keynes's *Treatise on Money* in the journal *Economica*, marking the beginning of a confrontation he characterizes as «the quixotic struggle of a man with firm convictions against the dominant culture of his time» (p. 69). Drawing on Robert Skidelsky, he also invokes Isaiah Berlin's distinction between «foxes» and «hedgehogs», —Keynes, the fox, ranged across multiple domains of knowledge, whereas Hayek, the hedgehog—, focused his thought on a single overarching warning: the dangers of central planning.

The author underscores the paradox that Keynes praised *The Road to Serfdom* (1944), despite disagreeing with its rejection of intermediate positions. Nevertheless, Keynesianism came to function as an «incontrovertible axiom» for much of the academic and political world, while Hayek and Ludwig von Mises remained on the margins defending classical liberalism (Vargas Llosa, 2018, p. 70). Hayek's broader academic recognition would only be consolidated after he was awarded the Nobel Prize in 1974.

Vargas Llosa also emphasizes the transdisciplinary nature of Hayekian thought, whose contributions extend beyond economics into political philosophy, epistemology, and psychology. At the same time, he notes tensions with democratic values, citing the controversial assertion that a liberal dictatorship might be preferable to an interventionist democracy (p. 71).

The reference to the Mont Pelerin Society allows Vargas Llosa to reconstruct Hayek's critique of constructivism, whose roots he traces back to saint-simonianism. According to Vargas Llosa,

attempts to «transform a perfectible society into a perfect one» through social engineering led to the major totalitarian projects of the twentieth century. In contrast, hayekian liberalism defends the intrinsic link between economic freedom and the rule of law, emphasizing the role of an independent judiciary in safeguarding contracts and private property (pp. 72-73).

Hayekian individualism—understood as personal sovereignty in opposition to collectivism—is articulated through the distinction between spontaneous orders (*kosmos*) and constructed orders (*taxis*), the latter being as potentially dangerous as centralized economic planning (p. 74). Within this framework, constructivism emerges as the principal antagonist, threatening liberty through egalitarian projects that seek to replace organically evolved institutions with rationally designed systems. Vargas Llosa further notes how this critique extends to the welfare state and even to majoritarian democracy, against which Hayek proposed his utopian model of «demarchy», based on a separation of legislative functions (p. 75). The recollection of Vargas Llosa's meeting with Hayek in Lima in 1979, along with the closing remark that, «Every liberal must be an agitator», serves to connect theoretical reflection with political practice (p. 76).

In the second section, Vargas Llosa analyzes *The Fatal Conceit* (1989), highlighting its philosophical dimension. Rather than a purely economic text, he interprets it as a treatise on civilization in the tradition of Adam Smith and John Stuart Mill. In this work, Hayek attributes human progress to «spontaneous order», an evolutionary process through which institutions such as trade and contract contributed to civilizing humanity, transforming «the beast into a citizen» through moral norms derived from historical experience (p. 77).

Constructivism appears as the antithesis of this process, representing social engineering projects that, when imposed coercively, give rise to dictatorship and economic failure. Vargas Llosa explains Hayek's distrust of intellectuals, whose rationalist tendencies often lead them to reject the market and promote utopian systems such as Marxism. He contrasts this constructivist arrogance with liberal humility, which values emergent orders in which the decentralized actions of individuals produce outcomes superior to any centrally designed plan (p. 78).

Accordingly, one of the central aims of Hayekian thought is to dismantle the various forms of ideological collectivism and to vindicate a realistic political vision grounded in human nature and social complexity. Vargas Llosa interprets this position as a defense of a politics of facts against utopian illusions that frequently yield dangerous consequences (Massini-Correas, 2019). At the same time, he warns that phenomena such as judicial corruption, the primacy of image over substance, and recurrent financial crises reveal how contemporary capitalism has, in some respects, betrayed the principles of fair competition and public morality that Hayek considered essential (Vargas Llosa, 2018, pp. 78-79).

This interpretation has generated criticism. Laurent (2022), drawing on earlier assessments, argues that Vargas Llosa either overlooked key aspects of Hayek's work or failed to fully grasp them. Similarly, Salazar (2021) contends that Vargas Llosa cannot be considered a genuine liberal, insofar as he never entirely abandoned the ideal of equality of opportunity.

In the third section, Vargas Llosa revisits the central arguments of *The Road to Serfdom* (1944), identifying a common collectivist denominator in Nazism and communism: the rejection of private property and political liberty. However, he notes that Hayek underestimated certain distinctive features of Nazism, particularly its racial dimension (pp. 77-78). The work warned that economic planning progressively erodes freedom, addressing especially the «socialists of all parties».

Vargas Llosa also points to two notable omissions: the role of corruption as an institutional threat and the problematic equation of socialism with communism. He clarifies, moreover, that the Hayekian conception of the rule of law does not exclude all forms of planning, but rather presupposes a limited institutional framework. He further notes Hayek's critique of Ludwig von Mises's utilitarianism and extreme rationalism, which, in his view, reduced social problems to technical calculations presumed to be solvable at will, an approach he considered as misguided as socialism itself. Although Hayek agreed with Milton Friedman on many issues (with the notable exception of monetary policy), he criticized Friedman's methodological commitment to logical positivism, describing *Essays in Positive Economics* (1953) as «dangerous» (p. 83). Friedman,

for his part, admired Hayek but famously described *Prices and Production* (1931) as «unreadable». These disagreements illustrate that liberalism is not a monolithic doctrine, but rather an intellectual tradition shaped by internal debates and methodological divergences.

In *The Road to Serfdom* (1944), Hayek warns that even well-intentioned government policies—such as the pursuit of equality of opportunity or employment security—may, through unintended consequences, undermine the foundations of a free society. For Vargas Llosa, state interventionism generates a self-expanding dynamic that leads to increasing control over production, prices, and labor, thereby eroding economic liberty and paving the way for authoritarian outcomes, as exemplified by Germany prior to Hitler's rise to power (pp. 83-84). However, he observes that Hayek did not anticipate contemporary phenomena such as terrorism, whose impact on public perceptions of security has strengthened demands for greater state intervention, including in the economic sphere (p. 84).

Vargas Llosa highlights chapter eleven of *The Road to Serfdom* (1944), in which Hayek distinguishes between traditional dictatorships and totalitarian regimes, which seek to impose «absolute truths» through propaganda and censorship (p. 84). Such regimes as Marxist, fascist, or jihadist, transform ideology into a pervasive «cultural atmosphere» that penetrates all domains of knowledge, from science to the arts, suppressing dissent (pp. 84-85). In these contexts, knowledge is reduced to an act of faith, and truth becomes subordinated to political objectives (p. 85).

In the fourth section, Vargas Llosa considers *The Constitution of Liberty* (1960) and *Law, Legislation and Liberty* (1973-1979) to be Hayek's most important works, despite their dense and occasionally opaque style, partly attributable to his intellectual formation in the German tradition. He examines how the welfare state, under the premise of guaranteeing social rights, has progressively displaced individual responsibility in areas such as health, education, and housing, thereby discouraging innovation and economic growth (pp. 85-86). In chapter XXI, he endorses Hayek's critique of inflationary policies justified in the name of full employment, noting that such policies are often promoted by actors seeking greater state control over the economy (p. 87).

According to Vargas Llosa, Hayek defends inequality as a natural outcome of liberty, if it arises from merit rather than privilege. Equality, in this view, should be confined to the legal sphere, allowing differences in talent and effort to translate into unequal outcomes that, in turn, foster social progress (p. 87). Nevertheless, in chapter XXIV, Hayek adopts a more nuanced position on public education, recognizing the importance of equal opportunity while rejecting homogenizing approaches that negate individual merit (p. 88). A similar logic applies to state-funded scientific research, where academic freedom must prevail, albeit within limits: «Tolerance must not include the right to preach intolerance» (pp. 88-89).

Vargas Llosa concludes this section with *Why I Am Not a Conservative* (1957), in which Hayek delineates the differences between liberalism and conservatism. Conservatives, he argues, tend to resist change and rely on authority, at times approaching authoritarian positions. By contrast, liberals value individual freedom and intellectual diversity, whereas conservatives are more prone to nationalism and dogmatism, often perceiving external influences as threats (p. 89).

More broadly, Vargas Llosa insists that liberalism should not be understood as merely another ideology. Drawing on Hayek, he characterizes it as a doctrine that does not claim to provide definitive answers to all social problems but rather allows for disagreement and critical debate within a framework of fundamental principles. Among these, liberty occupies a central place as the supreme value, structuring the economic, political, social, and cultural dimensions of a genuinely democratic society (Zuvekas & Elliott, 2019).

Finally, Vargas Llosa portrays liberals, following Hayek, as rational skeptics who are open to dialogue and willing to revise their beliefs, in contrast to the rigidity often associated with conservatism. While many liberals adopt agnostic positions, they do not necessarily reject religion; rather, they advocate its separation from the political sphere to prevent historical conflicts. Despite terminological ambiguities—particularly in the United States—Hayek defends the term «liberal» as the most appropriate designation for his intellectual project. (pp. 90-91).

Although Vargas Llosa does not devote a separate section to Ludwig von Mises, he constructs a complex and nuanced portrait of him, in which recognition, historical contextualization, and internal criticism converge. The first reference positions him as a founding figure of the 20th-century liberal renaissance, noting that, alongside Friedrich Hayek, he championed the revival of classical liberalism in Austria in the face of the rise of Keynesianism. In this context, Mises appears as part of an intellectual reaction against state interventionism inspired by John Maynard Keynes, positioning him as a key figure in the defense of *laissez-faire* (p. 69).

Vargas Llosa then expands this characterization by including Mises within a group of thinkers who cannot be reduced to a single discipline. By stating that, like von Mises, Popper and Berlin, Hayek transcends economics, the author projects the same quality onto Mises: that of being a total intellectual, whose work encompasses philosophical, political, and social dimensions. This reference not only raises Mises's profile but also places him within a broad, multidisciplinary tradition of liberal thought, distancing him from a strictly technical or economic perspective.

However, this assessment is qualified when Vargas Llosa introduces a hierarchical comparison between Mises and Hayek. By arguing that no one, not even von Mises, has outlined the benefits of the market better than Hayek, he implicitly acknowledges Mises's importance, yet simultaneously establishes Hayek's analytical superiority. This statement reveals a discursive strategy in which Mises functions as a necessary precursor, but not as the culmination of liberal thought—a role the author reserves for Hayek (p. 82).

The text also situates Mises within the institutional framework of 20th-century liberalism by mentioning him as one of the founders of the Mont Pelerin Society. Alongside figures such as Karl Popper and Milton Friedman, Mises appears as part of an intellectual elite committed to the defense and renewal of classical liberalism. This reference reinforces his historical relevance, showing that he was not only a theorist but also an active participant in the construction of networks of intellectual and political influence.

A particularly significant aspect of the treatment of Mises is his relationship with Hayek in terms of their formative years. Vargas

Llosa cites Hayek's own testimony, in which he states that Mises was «probably the person from whom I learned the most». This acknowledgment positions Mises as a teacher and intellectual guide, underscoring his role in shaping one of the leading exponents of contemporary liberalism. The description of the famous Vienna Privatseminar deepens this image, portraying Mises as a hub of intellectual sociability, where not only economic but also philosophical and epistemological topics were discussed. Thus, the author constructs the figure of Mises as a shaper of generations, whose influence transcended the formal classroom.

However, Vargas Llosa does not limit himself to a laudatory portrayal. He also introduces the theoretical tensions between Mises and Hayek, particularly stemming from the 1937 article in which the latter questions some of Mises's ideas. The most explicit criticism appears when it is noted that Hayek considered Mises a «utilitarian» and a strict rationalist, convinced that institutions could be deliberately organized. This characterization is crucial, as it allows the author to demonstrate that liberalism is not a homogeneous body of doctrine, but a field of internal debate. Here, Mises embodies a more rationalist and constructivist version of liberalism, as opposed to the Hayekian stance that emphasizes spontaneous orders and the limits of human knowledge (p. 83)

Finally, Vargas Llosa reaffirms Mises's centrality by including him, alongside Hayek and Friedman, among the great liberal economists of the 20th century. However, even in this recognition, he insists on highlighting the differences between them, emphasizing that liberalism allows for a plurality of approaches and significant disagreements. In this way, Mises is established as a canonical figure, though not an unquestionable one, whose work constitutes a starting point rather than a destination.

In short, the treatment of Mises in this excerpt reveals a precise intellectual operation: Vargas Llosa recognizes him as a fundamental pillar of modern liberalism, as Hayek's mentor, and as a key figure in the reconstruction of this doctrine, but at the same time places him in an intermediate position within its evolution. Mises is, in this narrative, the indispensable origin of a tradition that reaches a more sophisticated and complete development in Hayek.

As this section has shown, Vargas Llosa's intellectual evolution toward liberalism in the 1970s and 1980s was decisively shaped by his engagement with Hayek and others. These influences enabled him to identify the dangers of dogmatism, social constructivism, and authoritarian utopias, while also grounding his defense of the open society during his participation in Peruvian politics at the end of the twentieth century.

4. The story of politics triumphing over economics

The twentieth century in Peru was characterized by the subordination of economic rationality to ideological projects, a phenomenon that reached its peak during the first APRA¹ administration, whose failure exposed the structural limits of statism. In the early decades of the second half of the century, despite the efforts of Pedro Beltrán Espantoso (1897-1979) as Prime Minister and Minister of Finance, the state maintained a high degree of economic intervention under a developmentalist model that prioritized political objectives over fiscal sustainability.

As Contreras (2021), points out, the period from 1962 to 1992 constituted the «glorious thirty years» of developmentalism, marked by governments such as those of Velasco (1968-1975) and García (1985-1990), which promoted far-reaching statist transformations, alongside more moderate administrations such as those of Belaúnde and Morales Bermúdez that nonetheless preserved the same general orientation (p. 393). According to Morales (1993), although ambitious in its transformative aims, this model began to show signs of exhaustion by the late 1970s due to accumulated inefficiencies, macroeconomic imbalances, and external pressures (p. 11).

By the 1980s, the collapse of developmentalism triggered a multidimensional crisis. As Figueroa (1991) notes, welfare indicators deteriorated sharply. Per capita income in 1990 was lower than in

¹ The American Popular Revolutionary Alliance (APRA), founded by Víctor Raúl Haya de la Torre, was one of the most influential political movements in twentieth-century Peru.

1980, while urban unemployment and food insecurity increased significantly. Gonzales de Olarte (1991) identifies this economic crisis as a breeding ground for political violence, compounded by institutional weaknesses that generated a climate of chronic uncertainty and adversely affected the behavior of economic agents.

The Central Reserve Bank of Peru (2015) characterizes this collapse as a «perfect storm», in which external shocks, political fragility, and limited entrepreneurial capacity converged, producing a contraction comparable to that experienced by countries undergoing civil war. Boloña (1993) encapsulates this dynamic as «the triumph of politics over economics», referring to the primacy of ideological decision making over technical and economic criteria, which ultimately led to uncontrolled state expansion.

Morales (1993) documents how external debt increased by 1,317 percent between 1968 and 1985, rising from 738 million dollars to 10.462 billion dollars in three phases. It initially doubled between 1968 and 1973, then quadrupled between 1974 and 1980, and finally increased by an additional 4.419 billion dollars between 1981 and 1985, largely through commercial creditors. Payment arrears surged from 20 million dollars in 1983 to 2.581 billion dollars in 1985, reflecting a severe liquidity crisis. Monetary conditions further exacerbated the situation. After a period of relative stability, with an average of 7 percent annual inflation between 1950 and 1972, inflation rose to 17 percent between 1968 and 1977 and ultimately reached a hyperinflationary peak of 7,650 percent in 1990 (Boloña, 1993).

At the same time, as demonstrated by an experiment reported by Vargas Llosa (1986), state bureaucracy imposed prohibitive costs on formalization. Registering a small workshop required 289 days and 1,231 dollars, equivalent to 32 minimum wages, thereby encouraging widespread informality (p. XIX).

García's 1987 announcement to nationalize the banking system and suspend foreign debt payments catalyzed widespread social opposition and marked the beginning of Vargas Llosa's political engagement (Sabino, 2015). This context of economic, institutional, and moral crisis created the conditions for liberalism, previously a marginal current, to emerge as a viable alternative in response to the collapse of the statist model and the delegitimization of traditional

political parties. It was in this context that Mario Vargas Llosa launched a political experiment that, although short lived, encapsulated many of the aspirations and contradictions of a new enlightened elite seeking to revive the country based on free market principles and liberal democracy.

5. The birth of great ingenuity

Mario Vargas Llosa's rejection of the 1987 bank nationalization marked his formal entry into Peruvian politics, crystallizing a liberal project that linked democracy with the market economy and warned of the risks of statism. At this decisive moment, like a modern Julius Caesar, he crossed his Rubicon by leaving behind the intellectual sphere to assume the risks of political action, directing his commitment toward the public defense of economic freedom.

Although initially marginal, this position gained relevance in the context of economic crisis and institutional discredit that exposed the limits of interventionism. In an article published in August 1987, Vargas Llosa argued that nationalizations generate inefficiency and immorality by subordinating firms to political power. He recalled the experience of the Velasco government, in which the expansion of the state apparatus from 10 to 170 enterprises neither reduced poverty nor corruption, but instead exacerbated both (Vargas Llosa, 1987).

For Kenney (2004), between 1987 and 1989 the fragility of the party system became evident when Vargas Llosa broke with Acción Popular² and founded the Movimiento Libertad as an alternative to traditional political organizations (p. 140). Sabino (2015) describes the founding moment on August 21, 1987, when a large crowd gathered in Plaza San Martín to support the defense of economic liberty as a condition for development. In that speech, Vargas Llosa emphasized that overcoming poverty required the creation of wealth rather than its redistribution (pp. 104-105).

² Popular Action, founded by Fernando Belaúnde Terry, promoted a developmentalist approach based on a mixed economy and decentralization.

However, Requena (2010) characterized the movement as «highly naive», pointing to internal contradictions arising from its alliances with traditional parties and mercantilist sectors, which limited its ideological coherence. In a similar vein, Godoy (2010) observed that one of its main conceptual errors was to assume that all supporters shared a liberal worldview, thereby overlooking the emotional and symbolic dimensions of political mobilization.

The formation of the Frente Democrático (FREDEMO) in 1988, in alliance with Acción Popular and the Partido Popular Cristiano³, reflected the broader crisis of the party system. Although this coalition expanded its electoral base, it also revealed the extent of public disenchantment with established political structures (Kenney, 2004, p. 142).

It is important to note that, although the Movimiento Libertad, composed largely of independents and liberal intellectuals (Gherzi, 2021) represented the first organized effort to introduce classical liberalism into active Peruvian politics, earlier precedents existed. Pedro Beltrán Espantoso had already played a pioneering role in disseminating these ideas through the newspaper *La Prensa* in the 1950s, establishing intellectual connections with figures such as Ludwig von Mises, Friedrich Hayek, and Milton Friedman (Fuentes, 2019, pág. 261). After his death, a group later referred to as the «Young Turks» continued this work through journalism. This group included Federico Salazar, Enrique Gherzi, Mario Ghibellini, Iván Alonso, Franco Giuffra, Carlos Espá, Jaime Bayly, Juan Carlos Tafur, and Pablo Cateriano, among others, and was named by Enrique Chirinos Soto in recognition of the strength of their convictions (Requena, 2010; Ghibellini, 2004). Despite their intellectual influence, they lacked an organizational structure.

At the same time, as Adrianzén (2014), notes, Hernando de Soto contributed to the institutionalization of liberal thought through the creation of the Instituto Libertad y Democracia (Institute for Liberty and Democracy) in 1979, supported by the Atlas Foundation network. Through seminars and academic exchanges involving figures such as Hayek and Friedman, this initiative connected

³ The Popular Christian Party (PPC), inspired by Christian democracy, has traditionally supported a social market economy and democratic institutions.

the Peruvian debate with international liberal networks, including the Mont Pelerin Society, and helped consolidate a local school of liberal thought.

Vargas Llosa's 1990 government plan proposed a comprehensive liberal transformation, including privatization programs with popular shareholding schemes, labor market flexibility, education reforms based on selective scholarships, agricultural liberalization, and a civil strategy to combat terrorism (Escárzaga, 2022). Although he was defeated by Alberto Fujimori, his candidacy articulated, for the first time, a coherent and programmatic liberal alternative. Paradoxically, as Torres (2010), observes, many of the reforms he proposed were later implemented during the 1990s, suggesting that his ideas resonated with a society that was both exhausted by crisis and eager for stability and economic progress.

Thus, the initial perception of «great naivety» associated with the Movimiento Libertad gradually gave way to a more pragmatic acceptance of liberal policies. Although implemented under different political leadership, these reforms ultimately contributed to the consolidation of a new economic consensus in Peru, grounded in macroeconomic stability, the market economy, and the restoration of individual liberties.

6. The difficult task of learning to be an agitator

«Every liberal must be an agitator». This statement, made by Friedrich A. Hayek in his later years, exerted a profound influence on Mario Vargas Llosa, who understood that fulfilling this imperative required not only embracing liberal principles, but also actively disseminating them.

In a political landscape marked by the discrediting of liberal ideas and the predominance of statist discourse, members of the Movimiento Libertad assumed an explicitly pedagogical role. Their objective was to revive and promote the core principles of liberalism among political leaders and citizens committed to democracy and the market economy. An emblematic expression of this effort was the publication of *25 lecturas sobre la libertad* (1989), a compilation of texts selected by Enrique Gherzi Silva, then president of the

Ideology Commission of the movement, and published under the Pro-Desarrollo imprint (Movimiento Libertad, 1989).

This initiative formed part of a broader intellectual strategy aimed at recovering and disseminating liberal thought in a context dominated by interventionist ideas. The selection of texts was not arbitrary, but reflected a deliberate attempt to introduce, during crisis, the foundations of a diverse yet coherent liberal tradition. Each contribution was chosen not only for its theoretical rigor, but also for its relevance to the economic and political challenges facing Peru in the late 1980s.

Following Vargas Llosa's electoral defeat in 1990, one might have expected the decline of this intellectual project. However, rather than fading, these ideas became increasingly influential. As Enrique Gherzi (2021), argues, this phenomenon illustrates what he terms the «Reformer's Paradox», according to which electoral contests produce two distinct winners: one at the polls and another in the realm of ideas. In this sense, it is not always the candidate who secures the most votes who ultimately shapes the political agenda.

Through initiatives promoted by FREDEMO parliamentarians in the years preceding the 1992 self-coup, these ideas were gradually translated into legislative debates, policy proposals, and, eventually, concrete reforms. Many of these principles were later incorporated into the 1993 Constitution, underscoring their lasting influence on Peru's political and economic trajectory.

7. Conclusions

Mario Vargas Llosa's intellectual and political trajectory toward liberalism during the 1970s and 1980s reflects a profound transformation shaped by his engagement with the works of Isaiah Berlin, Karl Popper, and, above all, Friedrich A. Hayek. Their theoretical contributions provided him with conceptual tools to critically reassess the dogmatism, historicism, and collectivist utopias that had previously informed his worldview. This evolution unfolded within a broader Latin American context marked by the exhaustion of developmentalism, the crisis of the statist model, and the

progressive erosion of traditional party systems, all of which generated a growing demand for economic and institutional reform.

Within this setting, Vargas Llosa's 1990 presidential candidacy represented the most comprehensive political expression of his liberal convictions. Although electorally unsuccessful, his campaign played a decisive role in introducing into public debate a coherent set of principles linking democracy, the rule of law, and the market economy. In doing so, it contributed to reshaping the ideological landscape of Peru at a critical historical juncture and anticipated key elements of the structural reforms implemented during the subsequent decade.

The Movimiento Libertad, composed of a network of intellectuals, professionals, and political actors, extended its influence beyond the electoral arena through a sustained effort of doctrinal formation and public pedagogy. A central component of this endeavor was the publication of *25 lecturas sobre la libertad* (1989), conceived as an instrument for the dissemination of classical liberal thought. The anthology, structured around authors associated with the Austrian School and related liberal traditions, not only systematized a coherent body of ideas but also contributed to redefining the terms of economic and political debate in Peru. In this sense, it functioned as a vehicle for the intellectual legitimation of market-oriented reforms that would later gain prominence.

More broadly, the experience of Vargas Llosa and the Movimiento Libertad should not be interpreted merely as an unsuccessful political episode, but rather as a formative moment in the reconfiguration of Peru's ideological and institutional trajectory. It constituted a bridge between the critique of statist paradigms and the subsequent, albeit partial and often contradictory, implementation of a new economic model grounded in individual liberty, macroeconomic stability, and institutional reform.

The Peruvian case thus illustrates a broader analytical insight: structural transformations are not driven exclusively by political power or electoral outcomes, but also by the capacity of ideas to shape expectations, redefine public discourse, and provide normative frameworks for action. In this regard, Vargas Llosa's liberal project exemplifies how intellectual interventions, even when politically defeated, can exert a lasting influence on the direction of economic policy and the evolution of democratic societies.

Appendix A

TABLE 1.
DETAILS OF THE BIBLIOGRAPHIC REFERENCES
FOR THE 25 READINGS

N°	Título	Libro	Autor	Editorial	Edición	Lugar	Año	Cap.	Páginas
1	¿Por Qué No Soy Conservador?	Los Fundamentos de la Libertad	Friedrich A. Hayek	Universidad Francisco Marroquín	Cuarta Edición	Madrid	1982		513-529
2	El Mercado	La Acción Humana	Ludwig Von Mises	Unión Editorial S.A.	Cuarta Edición	Madrid	1986	XV	397-488
3	Condiciones del Marco Político...	Más Allá de la Oferta y la Demanda	Wilhelm Röpke	Unión Editorial S.A.	4ª Edición	Madrid	1979	3	179-196
4	¿Cómo Canalizar el Crecimiento del Estado?	Jornadas Hispano-Francesas sobre la Nueva Economía	Henri Lepage	Forum Universidad		Madrid	1980		
5	La Economía Keynesiana en la Política Democrática	Deficit del Sector Público y Democracia	Buchanan y Wagner	Ediciones Rialp S.A.		Madrid	1983	7-8	156-208
6	El Remedio a la Inflación	Libertad de Elegir	Milton y Rose Friedman	Grijalbo S.A.	Segunda Edición	Barcelona	1981		345-389
7	El Trabajo y los Sindicatos Olamios	Los Fundamentos de la Libertad	Friedrich A. Hayek	Universidad Francisco Marroquín	Cuarta Edición	Madrid	1982	XVIII	362-384
8	El Voto como un Medio de Control Colectivo	Los Motivos del Voto	Gordon Tullock	España Calpe S.A.		Madrid	1979	III	23-39
9	Una Teoría Económica Generalizada de las Constituciones	El Cálculo del Consenso	Buchanan y Tullock	España Calpe S.A.		Madrid	1980		
10	Lógica Básica de la Votación	Teoría Económica de la Democracia	Anthony Downs	Aguilar S.A.	Primera Edición	Madrid	1973	III	39-53
11	Motivación de los Partidos y Función del Gobierno	Teoría Económica de la Democracia	Anthony Downs	Aguilar S.A.	Primera Edición	Madrid	1973	II	23-37
12	De las Preferencias Privadas a la Filosofía Pública	(Revista) Inst. de Estudios Económicos	James Buchanan			Madrid	1980	(Vol. N° 2)	199-219
13	Planteamiento	El Nacimiento del Mundo Occidental	North y Thomas	Siglo XXI		Madrid	1980		
14	Una Teoría del Cambio Institucional	Estructura y Cambio en la Historia Económica	Douglas C. North	Alianza Universidad		Madrid	1985		
15	Ética de la Competencia	La Moral del Mercado	H. B. Acton	Unión Editorial S.A.	Primera Edición	Madrid	1979		73-118
16	Los Nuevos Conservadores	El Hombre contra el Estado	Herbert Spencer	Libería Goncourt	Primera Edición	Buenos Aires	1980		7-25
17	Cosmos y Taxis / Nomos y Thesis	El Orden de la Libertad	Friedrich A. Hayek	Universidad Francisco Marroquín		Guatemala	1985		
18	Dos Conceptos de Libertad	Libertad y Necesidad en la Historia	Isaiah Berlin	Revista de Occidente		Madrid	1974		133-182
19	Libertad y Libertades	Los Fundamentos de la Libertad	Friedrich A. Hayek	Universidad Francisco Marroquín	Cuarta Edición	Guatemala	1982	Cap. I	31-45
20	¿Incrementan los Sindicatos los Salarios?	La Economía en una Lección	Henry Hazlitt	Unión Editorial S.A.		Madrid	1973		149-162
21	¿Tiene la Historia Algún Significado?	La Sociedad Abierta y sus Enemigos (Tomo II)	Karl Popper	Paidós		Buenos Aires	1967	XXV	368-401
22	El Poder Creador de la Civilización Libre	Los Fundamentos de la Libertad	Friedrich A. Hayek	Universidad Francisco Marroquín	Cuarta Edición	Madrid	1982	II	47-65
23	Libertades Formales y Libertades Reales	Ensayo sobre las Libertades	Raymond Aron	Alianza Editorial	Tercera Edición	Madrid	1974	II	71-141
24	Del Deber de la Desobediencia Civil		Henry David Thoreau	Ediciones del Cotal S.A.	Tercera Edición	Barcelona	1983		345-371
25	La Cultura de la Libertad	Libertad - Primer Ciclo de Conferencias (Tomo I)	Mario Vargas Llosa	Pro Desarrollo		Lima	1988		XXXIII-XLVII

Note: Created by the author, based on (Movimiento Libertad, 1989).

Acknowledgments

I would like to thank Paola Arce, Abel Somocurcio and the participants in the 9th Madrid Conference on Austrian Economics for helpful comments. All remaining errors are mine.

Conflicts of interest

The author declares that he has no conflict of interests.

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